



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### **(ESRS Appraisal Stage)**

Date Prepared/Updated: 05/13/2024 | Report No: ESRSA03505



**I. BASIC INFORMATION**

**A. Basic Operation Data**

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P502837	Investment Project Financing (IPF)	Green SIEs	2025
Operation Name	Türkiye: Small Industrial Estates Reconstruction and Regional Economic Recovery Project		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Turkiye	Turkiye	EUROPE AND CENTRAL ASIA	Finance, Competitiveness and Innovation
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Ministry of Treasury and Finance (MoTF)	Ministry of Industry and Technology (MoIT), Directorate General of Industrial Zones	24-Apr-2024	11-Jul-2024
Estimated Decision Review Date	Total Project Cost		
16-Apr-2024	600,000,000.00		

Proposed Development Objective

The PDO is to support the restoration and sustainability of MSME operations in earthquake affected provinces through building resilient, and low-emission Small Industrial Estates (SIEs).

**B. Is the operation being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project Activities**

*[Description imported from the PAD Data Sheet in the Portal providing information about the key aspects and components/sub-components of the project]*

The Project aims to support the restoration and sustainability of MSME operations in earthquake-affected provinces through building resilient and low-emission Small Industrial Estates (SIEs). The proposed Project will include two components: the first will finance investments in new SIEs and workshops to be built and offered for sale to eligible MSMEs, and the second will finance expenses for Project-related technical assistance and management by MoIT. Under



the first component, the Project will support the construction of approximately 1,600 workshops for MSMEs that owned or rented workshops in the 11 earthquake-affected provinces prior to the February 2023 earthquakes. The new SIEs will be designed to be resilient to future earthquakes, other natural disasters, and adverse impacts of climate change, and will include energy and water efficiency measures in their construction design. In addition to the workshops, the component will also finance the construction of common infrastructure in the SIEs, outer spaces, electricity and water lines, small access roads and other necessary facilities. Under the second component, the Project will finance management and technical assistance activities. The technical assistance will accompany the investments to enable beneficiary MSMEs to be better prepared for climate and disaster challenges and equip them with the skills needed to become more women inclusive. MoIT issued a special regulation to govern the implementation of the new Project including eligibility criteria, financing terms, and application process.

## D. Environmental and Social Overview

### D.1 Overview of Environmental and Social Project Settings

*[Description of key features relevant to the operation's environmental and social risks and opportunities (e.g., whether the project is nationwide or regional in scope, urban/rural, in an FCV context, presence of Indigenous Peoples or other minorities, involves associated facilities, high-biodiversity settings, etc.) – Max. character limit 10,000]*

The project will cover the 11 earthquake affected provinces in Türkiye. The earthquakes have caused major damages to the industrial sector. Micro, Small and Medium Enterprises (MSMEs) account for 99 percent of total registered businesses in Türkiye and make an important contribution to the economy. About 15% of MSMEs in Türkiye are located in the 11 earthquake affected provinces (473,354 MSMEs), including 35,674 manufacturing MSMEs that employ 133,024 workers. Many manufacturing MSMEs are based in Small Industrial Estates (SIEs), which are registered as cooperatives at the Ministry of Environment, Urbanization and Climate Change (MoEUCC). MoEUCC records show that 248 SIEs (14.6% of total registered SIEs) have been registered in earthquake-affected provinces and have been impacted by the earthquakes to a varying degree, resulting in interruption in economic activity and labor migration.

SIEs have played an important role in the Turkish economy since their introduction in 1963 and designed to provide a suitable environment for MSMEs to operate. These estates are usually located in the outskirts of cities and offer a range of facilities and central services to support MSMEs, such as affordable workspaces, shared resources, access to infrastructure, utilities, and transportation as well as access to credit facilities (since 1970s). Most SIEs are established and operate as building/management cooperatives, bringing together small entrepreneurs, such as craftspeople, tradespeople, small manufacturers and service providers. According to MoEUCC, 1,698 SIEs have been registered across Türkiye to date, housing 179,000 workshops for MSMEs. The construction of new SIEs in a disaster-resilient and sustainable manner would contribute to sustain economic activity and restore jobs as well as ensure that these businesses operate in a safe and greener environment through a “build-back-better” approach. Through the build-back-better (BBB) framework and financing the construction of climate adaptive workshops, the project will respond to market failures related to climate vulnerability and insufficient resilience in infrastructure design. The BBB approach will focus on integrating sustainable practices and green technologies in the reconstruction efforts to reduce the environmental impact and promote long term sustainability. This approach also emphasizes disaster resilience which is even more relevant in earthquake prone areas like those in Southern Türkiye, by constructing buildings, utilities and infrastructure with high standards of resilience that incorporates various engineering, architectural and planning principles, including seismic design principles, use of flexible materials and base isolation techniques and including energy dissipation devices.



The national average of firms with female participation in ownership was 11.3 percent in 2019 and national average of firms with a female top manager was 3.9 percent in the same year, and the share of women-owned MSMEs in the earthquake affected provinces are well below these figures. Therefore, this project includes specific gender targets to ensure that women owned or led MSMEs will benefit from investments and existing gender gaps will be narrowed. To support vulnerable groups, 10 percent of total investments will be ear-marked for women owned or led MSMEs.

## D.2 Overview of Borrower’s Institutional Capacity for Managing Environmental and Social Risks and Impacts

*[Description of Borrower’s capacity (i.e., prior performance under the Safeguard Policies or ESF, experience applying E&S policies of IFIs, Environmental and social unit/staff already in place) and willingness to manage risks and impacts and of provisions planned or required to have capabilities in place, along with the needs for enhanced support to the Borrower – Max. character limit 10,000]*

The Ministry of Industry and Technology (MoIT) will implement the Project. The MoIT/ DG Industrial Zones offers a credit scheme to SIEs (and Organized Industrial Zones (OIZs)) for their establishment and development of infrastructure and workspace buildings (superstructures). To implement credit schemes to SIEs and OIZs, the MoIT Directorate General of Industrial Zones employs approximately 160 staff across 21 units. Personnel are responsible for supervision and monitoring of infrastructure projects, construction works, environmental management and waste & wastewater treatment projects, topography and geographical information systems, tendering, zoning, financial affairs, industrial zones establishment and monitoring, utilities, site selection, national plan and strategies, and investment programs. DGIZ will directly finance and construct the SIEs using IBRD financing, and thereafter transfer the workshops to beneficiary MSMEs upon signing legally binding individual debt agreements with each enterprise in local currency. MoIT will offer beneficiary MSMEs to pay back the costs of the workshops over a 13 year repayment plan at three percent interest rate, including a three year grace period. Collection of repayments from MSMEs will be through a commercial bank (Ziraat Bank) who will act as a conduit for financing the exchange for a fee without taking any credit risk . DGIZ will procure private and international consulting firms to support design, supervision, and management of new SIE construction and contractual arrangements with MSMEs. For construction of new SIEs, DGIZ will procure private construction firms.

MoIT / DG Industrial Zones (IZ) has a good track record in implementing an active World Bank project: Türkiye Green Organized Industrial Zone Project (P171645). The project has established and maintained a robust Project Implementation Unit (PIU) that has already acquired strong knowledge in World Bank’s environmental and social standards. To ensure efficiency, the same team will dedicate several of their staff and hire additional staff to prepare all the feasibility studies, environmental and social risk assessments and management plans and tender documents for the new project. The proposed project will incorporate suitable environmental and social specialists, along with a comprehensive framework and capacity for monitoring and evaluation. The Project will also include activities to develop a dedicated environmental and social unit at MoIT with its own E&S policies and standard operating procedure aligned with the relevant country laws and the World Bank’s ESF.

## II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Moderate



### A.1 Environmental Risk Rating

Moderate

*[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]*

The environmental risk is assessed as “Moderate”. The proposed project aims to support recovery and rebuilding efforts in the small-scale industry sector following the earthquakes in SE Türkiye in February 2023. The environmental impacts from the project are expected to be positive given that the seismic resilience of the buildings will be increased and new, more environmentally friendly processes introduced during project implementation. The constructed buildings will follow the Turkish Standard (TSE) for Green Building rules, which among others include: fire and earthquake safety; indoor environmental air quality; radiation and electro-magnetic pollution; construction waste minimization; use of environmentally friendly materials; local regional material preference savings in water consumption; energy efficiency etc. However, the construction activities may bring temporary adverse environmental impacts due to dust and noise generation, vehicle and machines emissions, generation of construction waste, hazardous material and waste management etc. as well as OHS issues during the construction phase. The sub-projects are expected to be implemented in urban and peri-urban areas. Although not identified at this stage of the project, if culturally important buildings will be reconstructed, those will have permits from the relevant authorities, and the renovation activities will be implemented accordingly. The environmental impacts related to the project are expected to be spatially limited to direct project footprint, temporary, reversible and easily manageable through application of good engineering practice, national laws as well as use of the World Bank Environmental, Health and Safety Guidelines. During operation phase, the related risks will be managed through use of Good International Industrial Practices (GIIP). An Environmental and Social Management Framework (ESMF) is prepared, which includes procedures for identifying and mitigating associated risks/impacts, monitoring and reporting, and implementation arrangements. The scale and extent of the construction activities and the location settings may require, in addition to ESMPs, the preparation of site-specific Environmental and Social Impact Assessment (ESIAs). The provisions of the above mentioned ESIAs/ESMPs will be incorporated into the bidding documents and resulting contracts.

### A.2 Social Risk Rating

Moderate

*[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]*

The social risk is assessed as “Moderate” as the potential adverse social risks and impacts are not likely to be significant (due to the types of planned activities and infrastructure) and can be mitigated in a predictable manner through assessments, plans and/or management of impacts. The key social risks and impacts are as follows. First, new Industrial Sites will be constructed that may require acquisition of land causing physical and economic displacement of people. Second, the project will support construction of new SIEs with ready-built workshops, for which the MoIT demand analysis shows that there is a sizeable demand for new workshops, while the Türkiye government is only looking to finance only a quarter of the full demand. This high demand with short supply can result in elite capture, especially in terms of ability to meet the repayment requirements, which risks vulnerable groups (e.g. women, SuTPs owned MSMEs), not being able to access project benefits. The Therefore risk of social exclusion may be significant. Thirdly, given the post-earthquake contexts, inadequate stakeholder engagement may lead to lack of access to project services and benefits by many eligible beneficiaries. Fourthly, construction activities may cause occupational health and safety (OHS) and road safety-related risks (due to increased traffic volume and movement) and SEA/SH risk. Fifthly, risks related to management of labor (non-compliance with laws, exploitation of labor, health and safety risks, labor influx etc.) as well as construction-induced adverse impacts on the neighboring community at the sites of the proposed SIEs may occur. Finally, the risks of adverse impacts on land and social exclusion in the post-earthquake



context may cause social tension and conflicts in the area. This may be a significant risk given growing sentiments among host communities regarding Syrians under temporary protection (SuTP). During the project preparation phase, environmental and social assessments and adequate stakeholder engagement activities will need to be conducted to avoid, minimize and mitigate these risks. As sub-project locations and specific nature of works in the workshop sites are not known, an Environmental and Social Management Framework (ESMF) will be prepared.

*[Summary of key factors contributing to risk rating. This attribute is only for the internal version of the download document and not a part of the disclosable version – Max. character limit 8,000]*

## B. Environment and Social Standards (ESS) that Apply to the Activities Being Considered

### B.1 Relevance of Environmental and Social Standards

#### ESS1 - Assessment and Management of Environmental and Social Risks and Impacts

Relevant

*[Explanation - Max. character limit 10,000]*

An ESMF has been prepared to guide the assessment and management of E&S risks and impacts. The ESMF includes guidance and procedures for identifying and mitigating associated risks/adverse impacts, monitoring and reporting, exclusion list, and implementation arrangements that will ensure adequate implementation of ESF requirements. The scale and extent of the construction activities and the location setting may require, in addition to Environment and Social Management Plans (ESMPs), the preparation of site—specific Environmental and Social Impact Assessment (ESIAs) to ensure proper identification of site-specific risks and impacts. All activities proposed under this project will be screened for E&S risks. Additionally, the new buildings will follow the Turkish Standard (TSE) for Green Buildings. For low or moderate risk activities, the project level ESMP will be customized and implemented and if required (based on E&S screening results), site-specific ESIAs and other E&S instruments prepared. high risk activities will not be eligible for financing under the Project, unless the project risks rating is revised. A Stakeholder Engagement Plan (SEP) will be prepared to ensure that all relevant stakeholders are engaged in a structured and planned fashion. The relevant requirements will be reflected in the Environmental and Social Commitment Plan (ESCP).

#### ESS10 - Stakeholder Engagement and Information Disclosure

Relevant

*[Explanation - Max. character limit 10,000]*

The key stakeholders for this project include the affected MSME owners and the communities in the vicinity of the proposed SIEs. Consultations and engagement with these stakeholders during project preparation and implementation will be crucial for the project. Thus, it will be important to ensure that the project design and proposed interventions are prepared and implemented, taking into consideration stakeholders’ feedback. To this end, a Stakeholder Engagement Plan (SEP) has been prepared. The SEP lays out a strategy to identify and map key stakeholders, including vulnerable and disadvantaged groups. The SEP has been disclosed, consistent with the requirements of ESS10, and will be updated, as necessary. A grievance redress mechanism (GRM) has been updated and operationalized for the project to allow for feedback and complaints from the time of project preparation throughout implementation.



**ESS2 - Labor and Working Conditions**

Relevant

*[Explanation - Max. character limit 10,000]*

Labor will be employed by contractors for the construction of new SIEs. However, given that pre-fabricated building materials will be used means it can be rapidly assembled on-site, significantly reducing construction time and minimizing labor employed. Nonetheless, compliance with applicable laws, Occupational Health and Safety (OHS) guidelines as well as guidelines for the prevention of sexual harassment at the workplace will apply to workers employed. Labor Management Procedures (LMP) will also be prepared to include a Code of Conduct, establishing mechanisms to manage risks related to sexual abuse and exploitation / sexual harassment (SEA/SH); provisions to address infectious diseases concerns, and a separate GRM to redress grievances for these workers including for SEA/SH incidents. All relevant requirements have been integrated into the Environment and Social Commitment Plan (ESCP) for the project.

**ESS3 - Resource Efficiency and Pollution Prevention and Management**

Relevant

*[Explanation - Max. character limit 10,000]*

Potential impacts associated with activities of Component 1 could be attributed to dust and noise, generation of construction waste, wastewater, hazardous materials/ waste (oil, grease, hydrocarbons, old fluorescent bulbs, old appliances, asbestos, lead-based paint). The ESMF and sub-project ESIA/ESMPs will address (i) establishing and adhering to general good housekeeping rules and procedures, (ii) monitoring and reducing emissions (incl. dust, noise, etc.), and (iii) waste management incl. hazardous, solid and construction waste. Project will mandate use of construction materials (sand, gravel, stone, cement etc.) from local certified sources. Measures to ensure resource efficiency (water, energy, construction material) are included in the ESMF. All buildings will apply the Turkish Standard (TSE) for Green Buildings which include: fire and earthquake safety; indoor environmental air quality; radiation and electro-magnetic pollution; construction waste minimization; use of environmentally friendly materials; local regional material preference savings in water consumption; energy efficiency etc. The buildings will utilize solar rooftops, reuse the water via industrial WWTPs and incorporate rainwater harvesting measures. Site operation and risk management plans will detail the measures and procedures to ensure that resource efficiency measures and processes continue to be applied during the operational phase of the industrial sites/zones.

**ESS4 - Community Health and Safety**

Relevant

*[Explanation - Max. character limit 10,000]*

There may be some construction induced adverse impacts on the communities in the vicinity of the proposed SIE sites. Further, there may be SEA/SH risks arising out of labor influx. However, due to use of pre-fabricated building materials, these risks are likely to be insignificant. These will be managed through comprehensive LMP containing provisions for management of migrant labor, a Code of Conduct, as well as GRMs which include channels for handling SEA/SH incidents. Community health and safety risks are based on construction phase impacts of sub-projects, such as noise and air quality, traffic management and temporary road closures and construction waste management. Site-specific as well as Project based ESMPs will include measures to address these impacts and disturbances. During the

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small industrial site/zone operation, the standard health and safety measures relevant to respective production sector, in line with the national legislation and standards, will apply.

**ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

Relevant

*[Explanation - Max. character limit 10,000]*

Establishment of new SIEs may affect private land (involving both physical and economic displacement). At this stage, the information regarding land acquisition requirements for SIEs are limited. A Resettlement Framework (RF) will be prepared by project appraisal and site specific Resettlement Plans (RPs) will be prepared as and when needed.

**ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources**

Relevant

*[Explanation - Max. character limit 10,000]*

This ESS is relevant as the proposed new construction activities under Component 1 may be located adjacent or in the vicinity of protected natural habitats. To avoid the potential negative impacts during the civil works, any activities and sites situated in or near critical or natural habitats, or those that will be assessed to have potential substantial or high biodiversity impacts, will be excluded from Project funding. In this regard, the ESMF document includes criteria for such exclusion and contains an exclusion list. Additionally, all site-specific ESIA/ESMPs for small industrial zones/sites near the protected natural areas will incorporate site-specific biodiversity assessment and, when necessary, will include relevant mitigation and monitoring measures. In these cases, Biodiversity Managements Plans may be prepared and implemented under the Project, in line with ESF and national procedures.

**ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

Not Currently Relevant

*[Explanation - Max. character limit 10,000]*

NA

**ESS8 - Cultural Heritage**

Relevant

*[Explanation - Max. character limit 10,000]*

Newly constructed SIEs under the project may be located in areas where there are registered cultural heritage/cultural assets in the provincial or national property inventory, and can have an impact on these assets. In such cases, MoIT will obtain the relevant permits from related institutions and/or the Ministry of Culture and Tourism before any civil works start. The relevant permits and the processes to obtain these will be outlined in the ESMF and site-specific Cultural Heritage Plans may be required as part of ESIA/ ESMPs. Additionally, all construction contracts will include a “Chance Find” clause which will mandate contractors to stop construction and inform the relevant authority in the event that cultural property sites or finds are encountered during construction. In the unlikely case of of work within the culture heritage protected areas, a Cultural Heritage Management Plan will be prepared before start of design activities, to guide the overall Project activities within the culture protected area.





ESS9 - Financial Intermediaries

Not Currently Relevant

[Explanation - Max. character limit 10,000]

NA

B.2 Legal Operational Policies that Apply

OP 7.50 Operations on International Waterways

No

OP 7.60 Operations in Disputed Areas

No

B.3 Other Salient Features

Use of Borrower Framework

No

[Explanation including areas where "Use of Borrower Framework" is being considered - Max. character limit 10,000]

Use of Borrower Framework is not being considered. Project will use the World Bank's Environmental and Social Framework.

Use of Common Approach

No

[Explanation including list of possible financing partners – Max. character limit 4,000]

NA

B.4 Summary of Assessment of Environmental and Social Risks and Impacts

[Description provided will not be disclosed but will flow as a one time flow to the Appraisal Stage PID and PAD – Max. character limit 10,000]

Both the environmental and social risks are assessed as "Moderate" at the appraisal stage. The key environmental risks at construction stage include adverse environmental impacts due to dust and noise generation, vehicle and machines emissions, generation of construction waste, hazardous material and waste including oil, grease, hydrocarbons as well as OHS issues. The key social risks include land use related impacts, management of labor (non-compliance with laws, exploitation of labor, health and safety risks, labor influx etc.) social exclusion (of targeted beneficiaries, especially the vulnerable groups), social tensions, community health and safety and SEA/SH risks. Since the sub-projects' locations and the specific nature of works in the workshops sites will not be known before the project effectiveness, an Environmental and Social Management Framework (ESMF) has been prepared.

The ESMF includes guidance and procedures for identifying and mitigating associated risks/adverse impacts, as well as monitoring and reporting and implementation arrangements that will ensure adequate implementation of the ESF requirements. The scale and extent of the construction activities and the location settings may require, in addition to ESMPs, the preparation of site-specific Environmental and Social Impact Assessment (ESIAs) to ensure proper

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identification of site-specific risks and impacts. Positive environmental impacts will be ensured by applying ESMF specified measures and Turkish Standard (TSE) for Green Buildings.

**C. Overview of Required Environmental and Social Risk Management Activities**

**C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by implementation?**

*[Description of expectations in terms of documents to be prepared to assess and manage the project’s environmental and social risks and by when (i.e., prior to Effectiveness, or during implementation), highlighted features of ESA documents, other project documents where environmental and social measures are to be included, and the related due diligence process planned to be carried out by the World Bank, including sources of information for the due diligence - Max. character limit 10,000]*

The draft Stakeholder Engagement Plan (SEP), has been prepared by Appraisal.

- The draft ESMF has been prepared by appraisal
- ESCP: The Environmental and Social Commitment Plan (ESCP), which will set out the material measures and actions required for the project to meet the ESSs over a specified timeframe has been prepared and it and will form part of the legal agreement.
- RF will be prepared, disclosed and consulted.
- LMP will be prepared and disclosed.
- Development, disclosure and consultation on other sub-project specific Bank approved ESA instruments (ESIAs, ESMPs, Resettlement Plans and, where relevant, cultural heritage plans) before any bidding documents are published
- Inclusion of relevant environmental and social provisions in bidding documents and ensuring contractors’ adherence to the environmental and social instruments
- Monitoring and reporting, including incidents and accidents and contractors’ monthly reports
- Implementation of SEP, with attendant financial and human resources
- Capacity building to enhance the environmental and social performance of the implementing agency on ESF application and ESS compliance

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**III. CONTACT POINT**

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**V. APPROVAL**

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